



State of California
Employment Training Panel

Training Proposal for:
The Pep Boys Manny, Moe & Jack of California
Agreement Number: **ET09-0271**

Panel Meeting of: **October 17, 2008**

ETP Regional Office: **San Diego**

Analyst: C. Robinson

PROJECT PROFILE

Contract

Type: Retrainee
 SET/HUA - Retrainee

Industry

Sector(s): Retail

Counties

Served: San Bernardino

Repeat

Contractor: ☒ Yes ☐ No

Union(s): ☐ Yes ☒ No

Priority

Industry: ☐ Yes ☒ No

No. Employees in CA: 3,300

No. Employees Worldwide: 19,000

Turnover Rate %	Manager/ Supervisor %
19%	8%

FUNDING DETAIL

Program Costs	Substantial Contribution	Total ETP Funding
\$210,000	\$0	\$210,000

In-Kind Contribution
\$275,500

TRAINING PLAN TABLE

Job No.	Job Description	Type of Training	Average No. of Trainees	Range of Hours		Average Cost per Trainee	Post-Retention Wage
				Class / Lab	CBT		
1	Retrainee	Business Skills Continuous Improvement	150	24 - 200	-0-	\$1,050	\$12.85
				Weighted Avg: 70			
2	SET/HUA - Retrainee	Business Skills Continuous Improvement	50	24 - 200	-0-	\$1,050	\$12.85
				Weighted Avg: 70			

Minimum Wage by County: \$12.85 for San Bernardino County

Health Benefits: ☒ Yes ☐ No This is employer share of cost for healthcare premiums – medical, dental, vision.

Used to meet the Post-Retention Wage?: ☒ Yes ☐ No

\$2.26 per hour may be used to meet the Post-Retention Wage for Job Numbers 1 and 2.

Other Benefits: Vacation, 401K, Personal/Floating Holidays, Life Insurance, Sick Leave, and Tuition Reimbursement.

Wage Range by Occupation	
Occupation Title	Wage Range
Manager/Supervisor (Job Number 1 only)	
Administrative Support Staff	
Warehouse/Maintenance Staff	

INTRODUCTION

In this proposal, The Pep Boys Manny, Moe & Jack of California (Pep Boys) seeks funding for retraining as outlined below:

Established in 1921, Pep Boys currently operates 592 stores in 36 states and Puerto Rico with distribution centers in San Bernardino, New York, Georgia, Indiana, and Texas. To satisfy the aftermarket automotive related needs of its customers, the company instituted a one-stop shopping format for accessories, parts, tires, and repair services. The San Bernardino distribution facility is responsible for the processing and distribution of goods and merchandise for all Pep Boys stores located throughout the Western United States.

The Pep Boys Southern California Distribution Center qualifies for standard ETP retraining funding for the integrated distribution, warehousing, account management, and related customer support service provided to Pep Boys retail stores located inside and outside California. Pep Boys proposes to train 150 trainees in Job Number 1.

SET/HUA

Under Special Employment Training (SET) the Panel may fund frontline workers who are not required to meet the 90-day employment history standard for eligibility, but must earn at least the

statewide average hourly wage at the end of retention, pursuant to Title 22, California Code of Regulations, Section 4409(a). However, Regulation, Section 4409(b) goes on to state that the Panel may also fund a SET project in a High Unemployment Area. In this case trainees may earn less than the state average hourly wage but must earn at least the ETP minimum wage.

Pep Boys proposes to train employees in Job Number 2 under SET because these are newly-hired trainees who may not meet the 90-day employment history eligibility requirement. As such, the proposed 50 trainees in Job Number 2 are only required to earn the ETP minimum wage post-retention, pursuant to 4409(b).

This is the second ETP proposal for Pep Boys within the last five years. ETP-funded training in the previous Agreement allowed Pep Boys to retain and expand employment at the former Norton Air Force Base in San Bernardino. Previously delivered training enabled Pep Boys to attain operating efficiencies at its new distribution center and allowed the company to achieve its business expansion goals.

PROJECT DETAILS

Pep Boys' representatives state that intensifying competition from worldwide sources and development of new technology continues to accelerate changes in the automotive aftermarket industry. Although the San Bernardino distribution center was equipped with the latest warehouse and inventory systems available when it relocated from Los Angeles in 2005, system upgrades and new software must now be put in place to maintain optimal efficiency.

Pep Boys anticipates expending approximately \$425,000 to upgrade these systems and purchase new software over the next two years. Company representatives report that training will be included in the purchase of these products and is not a part of its proposed training plan. However, in order to maintain a presence in today's market and assure potential growth, Pep Boys must build upon the training delivered in its first ETP agreement and implement a continuous improvement program throughout the facility to lower operating costs and support the new warehouse/inventory system upgrades.

Two key initiatives were recently identified that will support Pep Boys' continuous improvement efforts. Improving efficiency in its warehousing and distribution capability will help lower operating costs and training Pep Boys' employees in essential vocational skills will not only maintain Pep Boys current market position but will also allow company growth in the future.

Business Skills

Training in Business Skills will be provided to managers/supervisors and administrative support staff. Training sessions in interpersonal/communication skills, project management, conflict management, and advanced customer relations are necessary for them to support improved efficiency and employee productivity in the company's distribution operations. With the skills obtained through these classes, employees will be able to assess both current and new methods to optimize distribution operations. Participants will also understand issues that affect merchandise flow in the distribution facility and tools to resolve them satisfactorily while leading, directing, and motivating others through the transition activities.

Continuous Improvement

All occupations will participate in Continuous Improvement Skills. Topics in problem solving, team building, operational standards, process improvement, goal analysis, and decision making are essential for them to increase productivity while accomplishing daily tasks. Through this

training, employees will acquire the skills necessary to identify and implement process improvements throughout the company including turnaround time from delivery of merchandise to shipping out to retail store locations.

Commitment to Training

Pep Boys represents that ETP funds will not displace the existing financial commitment to training. In addition to the previously discussed investment of approximately \$425,000 toward technology upgrades which includes related training, the company anticipates that it will expend \$85,000 in additional training over the next two years in California. Company funded training will include orientation, safety, environmental standards, and leadership skills delivered in a traditional classroom setting as well as on-the-job skills.

The opportunity for enhanced training made possible by ETP funds, will encourage an ongoing financial commitment in this area. ETP-funded training will allow Pep Boys to implement its continuous improvement initiatives by delivering training needed to improve employee skills, knowledge, and abilities to improve facility processes while decreasing operating costs.

Pep Boys' representatives state that proposed training has never been delivered in the past or was not delivered to many company employees in the previous ETP agreement. Due to start-up operational needs experienced subsequent to the distribution facility's relocation to San Bernardino in 2005, the company was not able to deliver the number of training hours originally planned. Without ETP funding, the company does not have adequate financial resources for such comprehensive training to its employees in a relatively short timeframe. Upon completion of ETP-funded training, the company plans to continue training in many of these areas at its own expense.

Pep Boys represents that safety training is, and will continue to be, provided in accordance with all pertinent requirements under state and federal law.

Frontline Worker

Pep Boys' representatives state that 10 retrainees in Job Number 1 are supervisors or managers, while the remaining 190 retrainees (95%) in Job Numbers 1 and 2 are frontline workers. There are no trainees that set company policy included in the proposed training plan. Additionally, there are no managers/supervisors included in Job Number 2, funded under SET.

RECOMMENDATION

For the reasons set forth above, staff recommends approval of this proposal.

PRIOR PROJECTS

The following table summarizes performance by the company under an ETP Agreement that was completed within the last five years:

Agreement No.	Location (City)	Term	Approved Amount	Payment Earned
ET06-0187	San Bernardino	12/31/05 – 12/30/07	\$357,500	* \$131,546

* ETP funded training was initially proposed for this facility as a result of Pep Boys' decision to move West Coast distribution from Los Angeles to San Bernardino County rather than to an out-of state location. Although training was planned to start immediately upon the planned move, implementation

was disrupted due to the facility's start-up operational needs in the new location and the sudden departure of Pep Boys' training manager following ETP Panel approval of this agreement. In addition, development of the Agreement was supported by a third party consultant that did not continue to assist with the administration duties when Pep Boys' training manager left the company. As a result, several months passed without retrainee enrollments and documented training activity.

Subsequently, Pep Boys retained an administrative subcontractor to assist with coordination of this ETP-funded project. Enrollments were then entered and training was delivered/documented for the remaining months within the term of the agreement and Pep Boys was able to earn 37% of the approved agreement amount (\$357,500). For the proposed agreement, the company's training plan is in line with the number of training hours actually delivered during its first ETP project expanded to the full timeframe for delivery of training. In addition, Pep Boys states that its management team will also be more involved in monitoring the ongoing ETP performance and the company's specific training objectives.

DEVELOPMENT SERVICES

Spectra Consulting, LLC in Sierra Madre assisted with the ETP Application and helped prepare the training plan and curriculum at no cost.

THIRD PARTY SERVICES

The company also retained Spectra Consulting to perform administrative services in connection with this proposal for a fee of \$27,300, not to exceed 13% of payment earned.

TRAINING VENDORS

Trainers will be identified for ETP record-keeping purposes, as they are retained by Pep Boys.

Exhibit B: Menu Curriculum

Class/Lab Hours

(24-200 hours) Trainees will receive any of the following:

Business Skills

- * Interpersonal Skills
- * Conflict Management
- * Project Management
- * Advanced Customer Relations

Continuous Improvement

- * Problem Solving
- * Team Building
- * Operational Standards
- * Process Improvement
- * Goal Analysis
- * Decision Making